

CITY OF LOGAN

**INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS**

JUNE 30, 2012

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City of Logan

Officials

<u>Name</u>	<u>Title</u> (Before January 2012)	<u>Term Expires</u>
Randy Fetter	Mayor	January 2012
Chris Hartwig	Council Member	January 2012
Dee Clark	Council Member	January 2012
Dennis Crum	Council Member	January 2012
Stewart Johnson	Council Member	January 2014
Scott Moss	Council Member	January 2014

<u>Name</u>	<u>Title</u> (After January 2012)	<u>Term Expires</u>
Randy Fetter	Mayor	January 2014
Dennis Crum	Council Member	January 2014
Stewart Johnson	Council Member	January 2014
Dee Clark	Council Member	January 2016
Mike Foutch	Council Member	January 2016
Nicholas Lefeber	Council Member	January 2016

Angela Winther	City Clerk	Indefinite
Marilyn Keitzer	Deputy Clerk	Indefinite
Joe Lauterbach	City Attorney	Indefinite



Diane McGrain, CPA
Jim Menard, CPA

January 18, 2013

Independent Auditors' Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Logan, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Logan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Logan as of June 30, 2012, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Continued...

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Independent Auditors' Report
City of Logan

In accordance with *Government Auditing Standards*, we have also issued our reports dated January 18, 2013 on our consideration of the City of Logan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Logan's basic financial statements. The financial statements for the six years ended June 30, 2011 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. The supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Logan's basic financial statements. Management's Discussion and Analysis and the budgetary comparison information on pages 6 through 11, and 28 through 30, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Schroer & Associates, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Logan, we offer readers of the City of Logan's financial statements this narrative overview and analysis of the financial activities of the City of Logan for the fiscal year ending June 30, 2012. This section should be read in conjunction with the financial statements and the accompanying notes that follow.

2012 Financial Highlights

- Receipts of the City's governmental activities decreased by 22%, or approximately \$329,000 from fiscal 2011 to fiscal 2012. Miscellaneous receipts decreased approximately \$106,000, capital grants decreased approximately \$254,000, and note proceeds decreased \$50,000.
- Disbursements decreased 6%, or approximately \$77,000 from 2011 to 2012. General government increased approximately \$103,000, and capital projects decreased approximately \$170,000.
- The City's total cash basis net assets increased by approximately \$72,000 from June 30, 2011 to June 30, 2012. Of this amount, the assets of the governmental activities decreased \$31,000 and the assets of the business type activities increased by \$103,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund Financial Statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides detailed information about the non-major governmental funds and the City's indebtedness.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitation resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, and debt service. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the water works and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The city has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, 3) the Debt Service Fund, 4) the Capital Projects Fund, and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the Water and Sewer funds, considered to be major funds of the City.

The required financial statements for proprietary funds include a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased \$30,895 from a year ago. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities		
	Year ended June 30,	
	2012	2011
Receipts:		
Program receipts:		
Charges for service	\$ 102,875	186,420
Operating grants, contributions and restricted interest	310,096	239,276
Capital grants, contributions and restricted interest	-	254,160
General receipts:		
Property tax	644,340	567,424
Local option sales tax	100,332	85,679
Grants and contributions not restricted to specific purpose	2,628	-
Unrestricted interest on investments	285	194
Miscellaneous	2,570	108,691
Note proceeds	-	50,000
Total receipts	1,163,126	1,491,844
Disbursements:		
Public safety	217,522	247,421
Public works	267,952	245,292
Health and social services	4,670	4,490
Culture and recreation	217,482	229,792
Community and economic development	11,343	172
General government	215,233	111,888
Debt service	259,819	261,842
Capital projects	-	170,548
Total disbursements	1,194,021	1,271,445
Change in cash basis net assets before transfers	(30,895)	220,399
Transfers, net	-	(4,415)
Change in cash basis net assets	(30,895)	215,984
Cash basis net assets beginning of year	404,854	188,870
Cash basis net assets end of year	\$ 373,959	404,854

The total receipts for governmental activities decreased \$328,718. The total cost of all programs and services increased by \$77,424. The significant decrease in receipts was due to note proceeds of \$50,000 and miscellaneous income of \$108,691 received the prior year.

The cost of all governmental activities this year was \$1,194,021 compared to \$1,271,445 last year. The cost of capital projects for a lagoon project the prior year was approximately \$170,000. The cost to repair various City buildings for hail damage was approximately \$100,000 in the current year.

As shown in the statement of Activities and Net Assets, the amount taxpayers ultimately financed for these activities was \$781,050, due to costs paid by those directly benefited from the programs (\$102,875) or by other governments, organizations that subsidized certain programs with grants, contributions and restricted interest (\$310,096).

Changes in Cash Basis Net Assets of Business Type Activities		
	Year ended June 30,	
	2012	2011
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 325,747	301,945
Sewer	211,737	248,120
Operating grants	-	791
General receipts:		
Unrestricted interest on investments	1,124	637
Total receipts	538,608	551,493
Disbursements:		
Water	273,982	278,612
Sewer	161,786	154,182
Total disbursements	435,768	432,794
Change in cash basis net assets before transfers	102,840	118,699
Transfers, net	-	4,415
Change in cash basis net assets	102,840	123,114
Cash basis net assets beginning of year	152,225	29,111
Cash basis net assets end of year	\$ 255,065	152,225

Total business type activities receipts for the fiscal year were \$536,608 compared to \$551,493 last year. This decrease was due to a change in utility rates. The cash balance increased by \$102,840. Total disbursements for the fiscal year were \$435,768 compared to \$432,794 last year.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Logan completed the year, its governmental funds reported a combined fund balance of \$373,959, a decrease of \$30,895 from last year. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance at the end of the year was \$176,846 a decrease of \$25,651 from prior year primarily due to operating transfer to the debt service fund.
- The Special Revenue, Road Use Tax Fund cash balance at the end of the fiscal year was \$35,253, an increase of \$11,985 primarily due to road use receipts not spent.
- The Special Revenue, Local Option Tax Fund cash balance increased slightly by \$1,767, from \$112,828 to \$114,595.

- The Debt Service Fund balance was (\$9,191), an increase of \$10,753 from the prior year due to operating transfers.
- The Permanent Fund, Library Endowment Fund cash balance remained at \$55,648.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance increased \$52,889 to \$225,679 due to an increase in rates and water usage.
- The Enterprise, Sewer Fund cash balance increased by \$49,951 to \$29,386 due to an increase in rates and water usage.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City budget was amended two times for a total increase of \$148,950 for disbursements. The City's receipts were \$149,070 less than budgeted due to receiving less CDBG housing grants than budgeted. The City's disbursements were \$276,837 less than budgeted due primarily to less costs paid than budgeted for a CDBG housing grant.

DEBT ADMINISTRATION

At June 30, 2012, the City had approximately \$2,367,000 in bonds and other long-term debt, compared to approximately \$2,716,000 last year as shown below:

Outstanding Debt at Year End (Expressed in Thousands)		
	Year ended June 30,	
	2012	2011
General obligation notes	\$ 1,649	1,848
Revenue notes	718	868
	<u>\$ 2,367</u>	<u>2,716</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$1,649,000 is below its constitutional debt limit of approximately \$3,105,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Logan's elected and appointed officials and citizens considered many factors when setting the fiscal year 2013 budget, tax rates, and fees that will be charged for various City activities.

The City budgeted for employee raises, a new water pickup, additional expenses for water controls, and the CDBG housing project funds.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Marilyn Keizer, Deputy Clerk, 108 West 4th Street, Logan, Iowa.

City of Logan

City of Logan
Basic Financial Statements

City of Logan
Statement of Activities and Net Assets – Cash Basis
As of and for the year ended June 30, 2012

		Program Receipts	
	Disbursements	Charges for Service	Operating Grants Contributions and Restricted Interest
Functions/Programs:			
Governmental activities:			
Public safety	\$ 217,522	5,239	5,107
Public works	267,952	42,782	145,502
Health and social services	4,670	-	-
Culture and recreation	217,482	47,946	102,847
Community and economic development	11,343	-	11,254
General government	215,233	6,908	45,386
Debt service	259,819	-	-
Total governmental activities	1,194,021	102,875	310,096
Business type activities:			
Water	273,982	325,747	-
Sewer	161,786	211,737	-
Total business type activities	435,768	537,484	-
Total	\$ 1,629,789	640,359	310,096

General Receipts:

Property tax levied for:
 General purposes
 Debt service
Local option sales tax
Grants and contributions not restricted to specific purpose
Unrestricted interest on investments
Sale of capital assets
Total general receipts and transfers

Change in cash basis net assets

Cash basis net assets beginning of year

Cash basis net assets end of year

Cash Basis Net Assets:

Restricted:
 Nonexpendable:
 Library endowment
 Expendable:
 Streets
 Local option purposes
 Other purposes
Unrestricted

Total cash basis net assets

See notes to financial statements.

Net (Disbursement) Receipts and Changes in
Cash Basis Net Assets

Governmental Activities	Business Type Activities	Total
(207,176)	-	(207,176)
(79,668)	-	(79,668)
(4,670)	-	(4,670)
(66,689)	-	(66,689)
(89)	-	(89)
(162,939)	-	(162,939)
(259,819)	-	(259,819)
(781,050)	-	(781,050)
-	51,765	51,765
-	49,951	49,951
-	101,716	101,716
(781,050)	101,716	(679,334)
\$ 471,297	-	471,297
173,043	-	173,043
100,332	-	100,332
2,628	-	2,628
285	1,124	1,409
2,570	-	2,570
750,155	1,124	751,279
(30,895)	102,840	71,945
404,854	152,225	557,079
\$ 373,959	255,065	629,024
\$ 55,648	-	55,648
35,253	-	35,253
114,595	-	114,595
808	-	808
167,655	255,065	422,720
\$ 373,959	255,065	629,024

City of Logan
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances - Governmental Funds
As of and for the year ended June 30, 2012

		Special Revenue		
	General	Road Use Tax	Local Option Sales Tax	Debt Service
Receipts				
Property tax	\$ 331,765	-	-	168,346
Other city tax	67,937	-	100,332	4,697
Licenses and permits	8,143	-	-	-
Use of money and property	11,684	-	79	-
Intergovernmental	12,618	145,502	-	-
Charges for service	89,691	-	-	-
Special assessments	1,037	-	-	-
Miscellaneous	135,876	-	-	-
Total receipts	658,751	145,502	100,411	173,043
Disbursements				
Operating:				
Public safety	183,798	-	1,230	-
Public works	58,780	133,517	54,572	-
Health and social services	-	-	4,670	-
Culture and recreation	203,444	-	2,000	-
Community and economic development	89	-	-	-
General government	193,861	-	-	-
Debt service	-	-	-	259,819
Total disbursements	639,972	133,517	62,472	259,819
Excess (deficiency) of receipts over (under) disbursements	18,779	11,985	37,939	(86,776)
Other financing sources (uses):				
Sale of capital assets	2,570	-	-	-
Operating transfers in	3,000	-	-	97,529
Operating transfers out	(50,000)	-	(36,172)	-
Total other financing sources (uses)	(44,430)	-	(36,172)	97,529
Net change in cash balances	(25,651)	11,985	1,767	10,753
Cash balances beginning of year, as restated	202,497	23,268	112,828	(19,944)
Cash balances end of year	\$ 176,846	35,253	114,595	(9,191)
Cash Basis Fund Balances				
Restricted for:				
Nonexpendable:				
Library endowment	\$ -	-	-	-
Expendable:				
Streets	-	35,253	-	-
Local option purposes	-	-	114,595	-
Other purposes	-	-	-	-
Unassigned	176,846	-	-	(9,191)
Total cash basis fund balances	\$ 176,846	35,253	114,595	(9,191)

See notes to financial statements.

<u>Permanent</u>		
<u>Library Endowment</u>	<u>Nonmajor</u>	<u>Total</u>
-	69,635	569,746
-	1,960	174,926
-	-	8,143
-	-	11,763
-	11,254	169,374
-	-	89,691
-	-	1,037
-	-	135,876
-	82,849	1,160,556
-	32,494	217,522
-	21,083	267,952
-	-	4,670
-	12,038	217,482
-	11,254	11,343
-	21,372	215,233
-	-	259,819
-	98,241	1,194,021
-	(15,392)	(33,465)
-	-	2,570
-	-	100,529
-	(14,357)	(100,529)
-	(14,357)	2,570
-	(29,749)	(30,895)
55,648	30,557	404,854
55,648	808	373,959
55,648	-	55,648
-	-	35,253
-	-	114,595
-	808	808
-	-	167,655
55,648	808	373,959

City of Logan
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds
As of and for the year ended June 30, 2012

	Enterprise Funds		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 298,967	208,324	507,291
Special assessment	985	280	1,265
Miscellaneous	25,795	3,133	28,928
Total operating receipts	325,747	211,737	537,484
Operating disbursements:			
Business type activities	177,337	79,582	256,919
Excess of operating receipts over operating disbursements	148,410	132,155	280,565
Non-operating disbursements:			
Interest on investments	1,124	-	1,124
Debt service	(96,645)	(82,204)	(178,849)
Total non-operating disbursements	(95,521)	(82,204)	(177,725)
Net change in cash balances	52,889	49,951	102,840
Cash balances beginning of year	172,790	(20,565)	152,225
Cash balances end of year	\$ 225,679	29,386	255,065
Cash Basis Fund Balances			
Unrestricted	\$ 225,679	29,386	255,065

See notes to financial statements.

City of Logan
Notes to Financial Statements
June 30, 2012

NOTE (1) Summary of Significant Accounting Policies

The City of Logan is a political subdivision of the State of Iowa located in Harrison County. It was first incorporated in 1919 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Logan has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Harrison County Assessor's Conference Board, Harrison County Emergency Management Commission, Harrison County Landfill, and Logan Fire and Rescue.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

City of Logan
Notes to Financial Statements
June 30, 2012

NOTE (1) Summary of Significant Accounting Policies - Continued

B. Basis of Presentation - Continued

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in the following categories/components:

Nonexpendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies, and other receipts not allocated by law or contractual agreement to some other fund, are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

City of Logan
Notes to Financial Statements
June 30, 2012

NOTE (1) Summary of Significant Accounting Policies - Continued

B. Basis of Presentation - Continued

Special Revenue - Continued:

The Local Option Sales Tax Fund is used to account for the collection of local option sales taxes to be spent for infrastructure, including but not limited to, streets, sewer, water, and community betterment.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The Permanent Fund – Library Endowment is used to report resources that are legally restricted to the extent that only earnings and not principal may be used to support the activities of the library.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City of Logan maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

City of Logan
Notes to Financial Statements
June 30, 2012

NOTE (1) Summary of Significant Accounting Policies - Continued

C. Measurement Focus and Basis of Accounting - Continued

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Council intends to use for specific purposes.

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information.

F. Property Tax Calendar

The City's property tax rates were extended against the assessed valuation of the City as of January 1, 2010, to compute the amounts which became liens on property on July 1, 2011. These taxes were due and payable in two installments on September 30, 2011 and March 31, 2012, at the Harrison County Treasurer's Office. These taxes are recognized as income to the City when they are received from the county.

City of Logan
Notes to Financial Statements
June 30, 2012

NOTE (2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's cash, which consists of cash in bank and certificates of deposit, totaled \$629,024 at June 30, 2012.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board (GASB) Statement No. 3, as amended by Statement No. 40.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

NOTE (3) Notes Payable

Annual debt service requirements to maturity of general obligation and revenue notes are as follows:

Year Ending June 30,	General Obligation Notes Principal	Revenue Notes Principal	Total Principal
2013	\$ 129,345	87,000	216,345
2014	132,648	90,000	222,648
2015	135,994	68,000	203,994
2016	139,385	71,000	210,385
2017	129,822	74,000	203,822
2018-2022	687,329	328,000	1,015,329
2023-2025	294,973	-	294,973
Total	\$ 1,649,496	718,000	2,367,496

City of Logan
Notes to Financial Statements
June 30, 2012

NOTE (3) Bonds and Notes Payable - Continued

Year Ending June 30,	General Obligation Notes Interest	Revenue Notes Interest	Total Interest
2013	\$ 32,032	22,540	54,572
2014	29,302	19,430	48,732
2015	26,481	16,230	42,711
2016	23,567	14,190	37,757
2017	20,560	12,060	32,620
2018-2022	64,581	25,110	89,691
2023-2025	8,051	-	8,051
Total	\$ 204,574	109,560	314,134

Interest costs paid during the year ended June 30, 2012 totaled \$89,295.

The Code of Iowa requires that principal and interest on general obligation notes be paid from the Debt Service Fund.

The City has a general obligation debt limit of approximately \$3,105,000 which was not exceeded during the year ended June 30, 2012.

NOTE (4) Debt Refinancing

Effective June 1, 2012, the City adopted a resolution to reduce the interest rate on the City's General Obligation Aquatic Center Notes dated September 15, 2008 and February 9, 2009, with original interest rates of 4.178% and 3.815%, respectively. The reduced rate on both notes is 1.904%. The difference between the cash flow required to service the old debt at the old rate and that required to service the debt at the new rate is \$337,630 less.

NOTE (5) Lease Agreement

In April 1989, the City entered into a cancelable lease agreement for a tract of land for the purpose of establishing water wells on said property for the annual sum of \$2,000 and continuing each year thereafter as long as the well site is being used by the City. Rental expense for the year ended June 30, 2012 was \$2,000.

City of Logan
Notes to Financial Statements
June 30, 2012

NOTE (6) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 5.38% of their annual covered salary and the City is required to contribute 8.07% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by State statute. The City's contribution to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$28,720, \$28,447, and \$25,933 respectively, equal to the required contributions for each year.

NOTE (7) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and comp time hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and comp time termination payments payable to employees at June 30, 2012, primarily relating to the General Fund is \$10,777. This liability is computed on rates of pay effective as of June 30, 2012.

NOTE (8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Employee Benefit	\$ 3,000
Debt Service	General	50,000
	Special Revenue:	
	Local Option Sales Tax	36,172
	FEMA	6,864
	Capital Projects	4,493
		<u>97,529</u>
		\$ <u>100,529</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse resources.

City of Logan
Notes to Financial Statements
June 30, 2012

NOTE (9) Risk Management

The City is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE (10) Deficit Balance

The Debt Service Fund had a deficit balance of \$9,191 at June 30 2012. The deficit will be eliminated by a fund transfer.

NOTE (11) Litigation

The City is subject to a litigation suit for wrongful termination of a former employee. The probability of loss, if any, is undeterminable.

NOTE (12) Commitments

Cleaning Services Agreement

The City has contracted for cleaning services for \$12,192 for the year ended June 30, 2013.

NOTE (13) Grants

On June 28, 2011, the City was awarded a \$383,000 CDBG housing fund program grant from the Iowa Department of Economic Development for the rehabilitation of 10 owner-occupied single family housing units. The City received grant funds of \$11,254 during fiscal year 2012.

NOTE (14) Accounting Change/Restatement

Fund type reclassifications were made in accordance with Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, at July 1, 2011. The effect of fund type reclassifications is as follows:

	General	Special Revenue Emergency Levy	Special Revenue Insurance
Balances June 30, 2011, as previously reported	\$ 192,823	10	9,664
Change in fund type classification per Governmental Accounting Standards Board Statement No. 54	9,674	(10)	(9,664)
Balances July 1, 2011, as restated	\$ 202,497	-	-

Other Information

City of Logan
 Budgetary Comparison Schedule
 of Receipts, Disbursements, and Changes in Balances -
 Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds
 Other Information
 Year ended June 30, 2012

	Governmental Funds Actual	Proprietary Funds Actual	Actual
Receipts			
Property tax	\$ 569,746	-	569,746
Other city tax	174,926	-	174,926
Licenses and permits	8,143	-	8,143
Use of money and property	11,763	1,124	12,887
Intergovernmental	169,374	-	169,374
Charges for service	89,691	507,291	596,982
Special assessments	1,037	1,265	2,302
Miscellaneous	135,876	28,928	164,804
Total receipts	<u>1,160,556</u>	<u>538,608</u>	<u>1,699,164</u>
Disbursements			
Public safety	217,522	-	217,522
Public works	267,952	-	267,952
Health and social services	4,670	-	4,670
Culture and recreation	217,482	-	217,482
Community and economic development	11,343	-	11,343
General government	215,233	-	215,233
Debt service	259,819	-	259,819
Business type activities	-	435,768	435,768
Total disbursements	<u>1,194,021</u>	<u>435,768</u>	<u>1,629,789</u>
Excess (deficiency) of receipts over (under) disbursements	(33,465)	102,840	69,375
Other financing sources, net	<u>2,570</u>	<u>-</u>	<u>2,570</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(30,895)	102,840	71,945
Balances beginning of year	<u>404,854</u>	<u>152,225</u>	<u>557,079</u>
Balances end of year	<u>\$ 373,959</u>	<u>255,065</u>	<u>629,024</u>

See accompanying independent auditors' report.

Original Budgeted Amounts	Final Budgeted Amounts	Budget to Actual Variance
571,507	571,507	(1,761)
95,987	100,987	73,939
69,220	71,220	(63,077)
12,510	12,510	377
299,910	295,610	(126,236)
657,100	657,100	(60,118)
500	500	1,802
103,300	138,800	26,004
<u>1,810,034</u>	<u>1,848,234</u>	<u>(149,070)</u>
243,513	243,513	25,991
284,377	295,277	27,325
4,500	4,700	30
221,500	239,300	21,818
141,000	141,000	129,657
120,285	227,285	12,052
259,722	259,872	53
482,779	495,679	59,911
<u>1,757,676</u>	<u>1,906,626</u>	<u>276,837</u>
52,358	(58,392)	127,767
<u>200</u>	<u>-</u>	<u>2,570</u>
52,558	(58,392)	130,337
<u>320,122</u>	<u>557,079</u>	<u>-</u>
<u>372,680</u>	<u>498,687</u>	<u>130,337</u>

City of Logan
Notes to Other Information – Budgetary Reporting
June 30, 2012

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon major classes of disbursements known as functions, not by fund or fund type. These functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$148,950. The budget amendments are reflected in the final budgeted amounts.

Supplementary Information

City of Logan
Schedule of Cash Receipts, Disbursements and Changes in
Cash Balances – Nonmajor Governmental Funds
As of and for the year ended June 30, 2012

	Special Revenue			Capital Projects	Total
	Employee Benefits	Housing	FEMA		
Receipts:					
Property tax	\$ 69,635	-	-	-	69,635
Other City tax	1,960	-	-	-	1,960
Intergovernmental	-	11,254	-	-	11,254
	<u>71,595</u>	<u>11,254</u>	<u>-</u>	<u>-</u>	<u>82,849</u>
Disbursements:					
Operating:					
Public safety	32,494	-	-	-	32,494
Public works	21,083	-	-	-	21,083
Culture and recreation	12,038	-	-	-	12,038
Community and economic development	-	11,254	-	-	11,254
General government	21,372	-	-	-	21,372
	<u>86,987</u>	<u>11,254</u>	<u>-</u>	<u>-</u>	<u>98,241</u>
Excess (deficiency) of receipts over (under) disbursements	(15,392)	-	-	-	(15,392)
Other financing uses:					
Operating transfers in (out)	(3,000)	-	(6,864)	(4,493)	(14,357)
Net change in cash balances	(18,392)	-	(6,864)	(4,493)	(29,749)
Cash balances beginning of year	19,200	-	6,864	4,493	30,557
Cash balances end of year	<u>\$ 808</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>808</u>
Cash Basis Fund Balances					
Restricted for other purposes	<u>\$ 808</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>808</u>

See accompanying independent auditors' report.

City of Logan
Schedule of Indebtedness
Year ended June 30, 2012

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General obligation bonds and notes:			
General obligation refunding bonds	Sept 15, 2005	3.750 %	\$ 540,000
General obligation aquatic center note	Sept 15, 2008	1.904 %	1,500,000
General obligation aquatic center note	Feb 19, 2009	1.904 %	400,000
Truck note	Jul 7, 2011	4.750 %	50,000
Revenue debt:			
Sewer notes	Jul 10, 2001	3.000 %	\$ 1,210,000
Water revenue refunding bonds	Oct 15, 2006	4.050 %	480,000
Water revenue notes	Feb 1, 2010	5.000 %	50,000

See accompanying independent auditors' report.

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
95,000	-	95,000	-	3,563	-
1,335,318	-	72,673	1,262,645	41,537	-
367,188	-	22,337	344,851	13,835	-
50,000	-	8,000	42,000	2,375	-
<u>1,847,506</u>	<u>-</u>	<u>198,010</u>	<u>1,649,496</u>	<u>61,310</u>	<u>-</u>
728,000	-	60,000	668,000	21,840	-
90,000	-	90,000	-	3,645	-
50,000	-	-	50,000	2,500	-
<u>868,000</u>	<u>-</u>	<u>150,000</u>	<u>718,000</u>	<u>27,985</u>	<u>-</u>

City of Logan
Note Maturities
June 30, 2012

Year Ending June 30,	General Obligation Notes						
	Aquatic Center Issued Sept 15, 2008		Aquatic Center Issued Sept 19, 2009		Truck Issued Jul 7, 2012		Total
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2013	1.904 %	\$ 90,598	1.904 %	\$ 29,747	4.75 %	\$ 9,000	\$ 129,345
2014	1.904 %	92,332	1.904 %	30,316	4.75 %	10,000	132,648
2015	1.904 %	94,098	1.904 %	30,896	4.75 %	11,000	135,994
2016	1.904 %	95,898	1.904 %	31,487	4.75 %	12,000	139,385
2017	1.904 %	97,733	1.904 %	32,089	-	-	129,822
2018	1.904 %	99,602	1.904 %	32,703	-	-	132,305
2019	1.904 %	101,508	1.904 %	33,329	-	-	134,837
2020	1.904 %	103,450	1.904 %	33,967	-	-	137,417
2021	1.904 %	105,429	1.904 %	34,616	-	-	140,045
2022	1.904 %	107,446	1.904 %	35,279	-	-	142,725
2023	1.904 %	109,501	1.904 %	20,422	-	-	129,923
2024	1.904 %	111,596	-	-	-	-	111,596
2025	1.904 %	53,454	-	-	-	-	53,454
		<u>\$ 1,262,645</u>		<u>\$ 344,851</u>		<u>\$ 42,000</u>	<u>\$ 1,649,496</u>

Year Ending June 30,	Revenue Notes				
	Sewer Issued Jul 10, 2001		Water Revenue Notes Issued Feb 1, 2012		Total
	Interest Rates	Amount	Interest Rates	Amount	
2013	3.00 %	\$ 62,000	5.00 %	\$ 25,000	\$ 87,000
2014	3.00 %	65,000	5.00 %	25,000	90,000
2015	3.00 %	68,000	-	-	68,000
2016	3.00 %	71,000	-	-	71,000
2017	3.00 %	74,000	-	-	74,000
2018	3.00 %	77,000	-	-	77,000
2019	3.00 %	80,000	-	-	80,000
2020	3.00 %	84,000	-	-	84,000
2021	3.00 %	87,000	-	-	87,000
		<u>\$ 668,000</u>		<u>50,000</u>	<u>718,000</u>

See accompanying independent auditors' report.

City of Logan
Schedule of Receipts By Source and Disbursements By Function -
All Governmental Funds
For the Last Seven Years

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Receipts			
Property and other city taxes	\$ 744,612	567,368	559,848
Tax increment financing collections	-	85,735	81,675
Licenses and permits	8,143	6,677	5,556
Use of money and property	11,763	13,032	13,211
Intergovernmental	169,374	418,639	181,180
Charges for service	89,691	143,822	160,864
Special assessments	1,037	2,451	1,510
Miscellaneous	<u>135,876</u>	<u>204,120</u>	<u>117,494</u>
Total	\$ <u>1,160,496</u>	<u>1,441,844</u>	<u>1,121,338</u>
Disbursements			
Operating:			
Public safety	\$ 217,522	247,421	213,796
Public works	267,952	245,292	233,078
Health and social services	4,670	4,490	4,400
Culture and recreation	217,482	229,792	347,786
Community and economic development	11,343	172	1,382
General government	215,233	111,888	109,258
Debt service	259,819	261,842	244,918
Capital projects	<u>-</u>	<u>170,548</u>	<u>516,680</u>
Total	\$ <u>1,194,021</u>	<u>1,271,445</u>	<u>1,671,298</u>

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
566,030	559,945	542,605	556,726
-	-	-	-
5,175	6,556	3,622	4,457
16,033	23,677	16,589	17,425
289,823	149,540	144,177	140,722
103,713	108,441	103,137	35,042
94	728	677	179
<u>193,914</u>	<u>257,163</u>	<u>186,316</u>	<u>97,326</u>
<u>1,174,782</u>	<u>1,106,050</u>	<u>997,123</u>	<u>851,877</u>
192,514	204,532	181,936	207,762
274,346	291,764	208,141	259,961
4,350	4,200	4,200	4,000
135,905	194,703	141,513	122,520
1,458	2,050	2,736	11,356
117,979	109,151	104,123	103,801
179,484	130,394	128,156	108,429
<u>1,964,387</u>	<u>144,385</u>	<u>-</u>	<u>-</u>
<u>2,870,423</u>	<u>1,081,179</u>	<u>770,805</u>	<u>817,829</u>

See accompanying independent auditors' report.

City of Logan



Diane McGrain, CPA
Jim Menard, CPA

January 18, 2013

Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Logan, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated January 18, 2013. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of the City of Logan is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Logan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of City of Logan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Logan's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control we consider to be a material weakness.

Continued...

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City of Logan
Independent Auditors' Report on
Internal Control and Compliance and Other Matters

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of City of Logan's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-11 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Logan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Logan's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit City of Logan's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Logan and other parties to whom the City of Logan may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel and a former retired city clerk of the City of Logan during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Schauer & Associates, P.C.

City of Logan
Schedule of Findings
Year Ended June 30, 2012

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-12 Segregation of Duties

Comment – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The following functions are performed by the same person:

City – Cash receipts listing, bank deposits, and posting of cash receipts to cash receipts journal.

Library – Cash receipt listing, bank deposits and reconciling. Cash disbursements, check writing and reconciling.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will consider this.

Conclusion – Response acknowledged.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

City of Logan
Schedule of Findings
Year Ended June 30, 2012

Part II: Other Findings Related to Statutory Reporting:

II-A-12 Certified Budget

Disbursements during the year ended June 30, 2012 did not exceed the amended budgeted amounts.

II-B-12 Questionable Disbursements

We noted no disbursements for parties, banquets or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

II-C-12 Travel Expense

No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-12 Business Transactions

No business transactions were noted between the City and City officials, employees or relatives of City officials.

II-E-12 Bond Coverage

Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

City of Logan
Schedule of Findings
Year Ended June 30, 2012

Part II: Other Findings Related to Statutory Reporting - Continued:

II-F-12 Council Minutes

Comment - No transactions were found that we believe should have been approved in the Council minutes but were not.

The City Council went into closed sessions in August 2012. However, the minutes record did not document the specific information regarding the closed session as required by Chapter 21 of the Code of Iowa, commonly known as the open-meetings law.

Although minutes of City Council proceedings were published, one time was noted when they were not published within fifteen days as required by Chapter 372.13(6) of the Code of Iowa. Also the minutes did not include a summary of disbursements by fund.

In addition, the Council passed a resolution to approve a pooled percent increase in wages but not the specific increase allocated to each employee.

Recommendation - The City should comply with Chapter 21 of the Code of Iowa and should publish minutes as required.

Response - We will comply with the Code requirements for closed sessions. We will publish minutes as required. We will reflect specific employee rates in our resolutions setting salaries.

Conclusion - Response acknowledged.

II-G-12 Deposits and Investments

Comment - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy. However, the City did not list the maximum authorized amounts for each depository used in its depository resolution.

Recommendation - The City should amend its depository resolution to include the maximum amounts authorized for each depository used.

Response - We will do this.

Conclusion - Response accepted.

II-H-12 Revenue Notes

No instances of noncompliance with the revenue note and bond resolutions were noted.

City of Logan
Schedule of Findings
Year Ended June 30, 2012

Part II: Other Findings Related to Statutory Reporting - Continued:

II-I-12 Financial Condition

Comment – At June 30, 2012, the Debt Service Fund had a deficit balance of \$9,191.

Recommendation – The City should investigate alternatives to eliminate the deficit in order to return the fund to a sound financial condition.

Response – The deficit will be eliminated with a fund transfer.

Conclusion – Response accepted.

II-J-12 Disbursements

Comment – The City received the front image only of electronically retained checks.

Recommendation – The City should request both the front and back images of checks in accordance with Chapter 554D.114(5) of the Code of Iowa.

Response – We have contacted the bank to request this and were informed it could not be done.

Conclusion – Response acknowledged.

II-K-12 Excess Balance

Comment – The balance in the Special Revenue Fund – Local Option Sales Tax Account at June 30, 2012 was in excess of the fund's disbursements during the year.

Recommendation – The City should consider the necessity of maintaining the substantial balance, and where financially feasible, consider reducing the balances in an orderly manner through revenue reductions.

Response – The excess balance is considered necessary for the payment of future project costs.

Conclusion – Response accepted.

II-L-12 Sale of Real Property

Comment – The City held a public hearing on the sale of a vacant lot to a council person and determined sale of the lot for \$1,000. However, the receipt of the payment was not found in the City records.

Recommendation – The City should determine whether the disposition was transacted and, if so, collect the payment.

Response – We will do this.

Conclusion – Response accepted.